

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MILAN TOWNSHIP	County MONROE
Fiscal Year End 03/31/06	Opinion Date 08/18/06	Date Audit Report Submitted to State 9/22/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

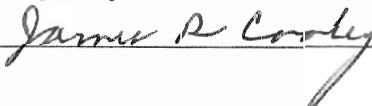
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 	Printed Name JAMES R. COOLEY		License Number 1101005761

MILAN TOWNSHIP
Monroe County, Michigan

ANNUAL FINANCIAL REPORT
March 31, 2006

MILAN TOWNSHIP

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Independent Auditor's Report

Township Board
Milan Township
Milan, Michigan 48160

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Township, Monroe County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Milan Township, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Township, Monroe County, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 29 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milan Township, Monroe County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Hehl
Wohlgamuth & Carlton*

August 18, 2006

MILAN TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2006

As management of Milan Township, Monroe County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental activities of the Township for the year ended March 31, 2006. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Projects Fund.

The Governmental Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent year by \$645,496 (net assets). Of this amount, \$363,558 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- The government's total net assets increased by \$50,338.
- At the close of the year, the Township's governmental funds reported combined ending fund balances of \$486,118, an increase of \$38,385 in comparison with the prior year. Approximately 98 percent of this amount, or \$476,805 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the year, the unreserved fund balance for the general fund was \$363,558 or 159 percent of total general fund expenditures.
- The Township does not have any bonded debt.

Overview of the Financial Statements

This report is organized so that the reader can understand Milan Township financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide Financial Statements (on pages 9, 10 and 11), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

MILAN TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2006*

Government-Wide Financial Statements (Concluded)

The Statement of Net Assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into the two following categories:

- Governmental activities - which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- Business-type activities. Currently the Township does not have any Business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However, the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into two categories: Governmental funds and Fiduciary funds.

Governmental funds

All of the Township's governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 14 and 17 respectively, to facilitate this comparison between governmental funds and governmental activities.

MILAN TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2006*

Fund Financial Statements (Concluded)

Governmental funds (Concluded)

The Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, road improvements, bridge construction, fire and rescue, liquor law, street lighting, building, and capital projects funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12, 13, 15, and 16 of this report.

Fiduciary funds

Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own operations.

The only basic fund financial statement required to be reported for agency can be found on page 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 19 through 28.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page, assets exceeded liabilities by \$645,496 at the close of the most recent year.

The Township has \$10,722 invested in capital assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Normally Townships are required to report capital assets net of related debt; however, the Township does not have any debt.

As also depicted in Table 1, the Townships unrestricted net assets totaled \$363,558. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this years's operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the years ended March 31, 2006 and 2005.

MILAN TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2006*

Table 1:

Condensed Statement of Net Assets **March 31, 2006 and 2005**

	Governmental Activities	
	2006	2005
Current assets	\$512,358	\$487,553
Capital and other noncurrent assets, net	<u>159,378</u>	<u>147,425</u>
Total Assets	671,736	634,978
Current and other liabilities	<u>26,240</u>	<u>39,820</u>
Total Liabilities	<u>26,240</u>	<u>39,820</u>
Net Assets		
Invested in capital assets	10,722	2,050
Invested in joint venture	148,656	145,375
Restricted for:		
Road improvements	44,718	46,810
Bridge construction	7,309	7,329
Fire and rescue	55,167	38,517
Liquor law enforcement	297	319
Street lighting	5,317	4,991
Building code enforcement	439	(3,084)
Capital projects	9,313	17,011
Unrestricted	<u>363,558</u>	<u>335,840</u>
Total Net Assets	<u>\$645,496</u>	<u>\$595,158</u>

With the exception for the Building Fund, at the end of the year, the Township is able to report positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

The government's net assets increased by \$50,338 during the year ended March 31, 2006. This increase is primarily attributable to an agreement reached with Holcim, Inc. regarding its connection to the back fees for the sale of crushed stone outside of the Quarry.

As indicated in Table 2, the cost of all governmental activities this year was \$369,489. Of this amount \$78,531 was subsidized with revenue generated from charges for services with the remaining costs financed with local contributions and general revenues.

The Township experienced an increase in net assets of governmental activities of \$50,338. However, a significant amount of land has been annexed by the City of Milan. This factor will have a significant negative impact on the increase in net assets for governmental activities in the future due to lower tax collections.

MILAN TOWNSHIP

Management's Discussion and Analysis *Year Ended March 31, 2006*

Table 2:

Changes in Net Assets **Years Ended March 31, 2006 and 2005**

	Governmental Activities	
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$ 78,531	\$ 78,461
Operating grants and contributions	<u>15,536</u>	<u>8,940</u>
	94,067	87,401
General revenues:		
Property taxes	193,715	177,938
State grants (revenue sharing)	119,983	121,481
Other	<u>12,062</u>	<u>8,519</u>
	<u>325,760</u>	<u>307,938</u>
Total Revenues	419,827	395,339
Functions/Program Expenses		
Legislative	10,329	41,557
General government	126,852	112,625
Public safety	90,355	104,097
Public works	129,473	110,587
Community and economic development	<u>12,480</u>	<u>10,993</u>
Total Expenses	<u>369,489</u>	<u>379,859</u>
Increase (Decrease) in Net Assets	<u>\$ 50,338</u>	<u>\$ 15,480</u>

Fund Financial Analysis

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether Milan Township is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$486,118, which is an increase of \$38,385 from last year. The changes by fund-type, of which all were considered major funds, are as follows:

MILAN TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2006

Fund Financial Analysis (Concluded)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund balances - Beginning of year	\$335,840	\$ 94,882	\$17,011	\$447,733
Increase (decrease)	<u>27,718</u>	<u>18,365</u>	<u>(7,698)</u>	<u>38,385</u>
Fund balances - End of year	<u>\$363,558</u>	<u>\$113,247</u>	<u>\$ 9,313</u>	<u>\$486,118</u>

The Township's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Percent Change</u>
Revenues			
Property taxes	\$ 70,467	\$ 68,349	3.10%
Licenses and permits	13,822	53,837	(74.33)
State revenue sharing	119,294	120,785	(1.23)
Charges for services	47,866	13,021	267.61
Interest and rentals	3,159	3,197	-
Other	<u>20,346</u>	<u>9,431</u>	115.74
	<u>\$274,954</u>	<u>\$ 268,620</u>	2.36%

	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Percent Change</u>
Expenditures			
Legislative	\$ 10,329	\$ 41,557	(75.14)%
General government	117,192	84,064	39.41
Public works	79,739	17,623	352.47
Community and economic development	1,019	10,993	(90.73)
Other functions	<u>20,873</u>	<u>18,561</u>	12.46
	<u>\$229,152</u>	<u>\$182,798</u>	25.36%

MILAN TOWNSHIP

Management's Discussion and Analysis Year Ended March 31, 2006

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Township Board to adopt the original budget prior to April 1, the start of the fiscal year. Over the course of the year, the Township revises its budget in response to unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the fiscal year ended March 31, 2006.

Capital Assets

As of March 31, 2006, the Township had \$10,722 invested in capital assets, including land, building and improvements, and equipment. Equipment purchases included a new computer for the new Township Treasurer that was not added to capital assets due to the Township's capitalization policy. No new debt was issued for these additions. Depreciation this year totaled \$248 for governmental activities as the Township began recognizing depreciation on improvements to the Township hall. Details regarding capital assets is included in Note 2 and 7 to the financial statements.

Development of the 2006 Fiscal Year Budget

Our elected officials considered many factors when setting the Township's 2006 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state since it accounts for over half of our general fund revenues. The Township has taken several measures to help control the rising costs of governmental services (including fire protection which is funded through a special millage passed by Township residents). We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes and self help funds, for roads and bridges, received from the county.

Economic Factors

During the fiscal year ended March 31, 2006, the Township contracted with several consultants to develop a master plan for developing its rural areas. Also, the Township resolved the land use issues related to two developments of 240 acres and 86 acres, which will include 600 homes and a water and sewage treatment plant. The Township has received the first of three installments to cover \$85,000 for legal and consulting fees. After the development gets under way, the developer will contribute \$200,000 for the construction of a new Township hall, \$27,000 for ordinance and inspection programs, and \$125,000 for a major traffic study.

Contacting the Township of Milan

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Milan Township Clerk, 16444 Cone Road, Milan, MI 48160. Our phone number is (734) 439-1707.

MILAN TOWNSHIP

Statement of Net Assets
March 31, 2006

	Governmental Activities
<hr/>	
ASSETS	
Current assets	
Cash and certificates of deposit	\$405,376
Receivables:	
Taxes	15,007
Special Assessments	437
Other	72,547
Due from other governments	18,991
	<hr/>
Total Current Assets	512,358
 Noncurrent assets	
Investment in joint venture	148,656
Capital assets:	
Nondepreciated	2,050
Depreciated (net)	8,672
	<hr/>
Total Non Current Assets	159,378
	<hr/>
Total Assets	671,736
	<hr/>

See accompanying notes to the basic financial statements

	Governmental Activities
LIABILITIES	
Current liabilities	
Accounts payable	\$26,240
Total Liabilities	26,240
NET ASSETS	
Invested in capital assets net of related debt	10,722
Invested in joint venture	148,656
Restricted for:	
Road improvements	44,718
Bridge construction	7,309
Fire and rescue	55,167
Liquor law enforcement	297
Street lighting	5,317
Building code enforcement	439
Capital projects	9,313
Unrestricted	363,558
Total Net Assets	\$645,496

MILAN TOWNSHIP

Statement of Activities Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities:				
Legislative	\$10,329	\$0	\$0	(\$10,329)
General government	126,852	47,866	15,536	(63,450)
Public safety	90,355	16,843	0	(73,512)
Public works	129,473	13,822	0	(115,651)
Community and economic development	12,480	0	0	(12,480)
Total Governmental Activities	\$369,489	\$78,531	\$15,536	(275,422)
General revenues:				
Taxes:				
Property taxes				193,715
Grants and contributions not restricted:				
Revenue sharing				119,983
Interest				3,971
Change in joint venture				3,281
Other				4,810
Total General Revenues and Transfers				325,760
Change in net assets				50,338
Net Assets - Beginning of year				595,158
Net Assets - End of year				\$645,496

See accompanying notes to the basic financial statements

MILAN TOWNSHIP

*Governmental Funds
Balance Sheet
March 31, 2006*

	General Fund	Road Improvement Fund	Bridge Construction Fund
Assets			
Cash and certificates of deposit	\$272,456	\$41,188	\$7,309
Receivables:			
Taxes	5,592	3,530	0
Special assessments	0	0	0
Other	72,547	0	0
Due from other funds	4,168	0	0
Due from other governments	18,991	0	0
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$373,754</u>	<u>\$44,718</u>	<u>\$7,309</u>
Liabilities			
Accounts payable	\$10,196	\$0	\$0
Due to other funds	0	0	0
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	10,196	0	0
Fund Balance			
Reserved for capital improvements	0	0	0
Unreserved - reported in:			
General Fund	363,558	0	0
Special Revenue Funds	0	44,718	7,309
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	363,558	44,718	7,309
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$373,754</u>	<u>\$44,718</u>	<u>\$7,309</u>

See accompanying notes to the basic financial statements

Special Revenue Funds

Fire and Rescue Fund	Liquor Law Fund	Street Lighting Fund	Building Fund	Capital Projects Fund	Total Governmental Funds
\$69,494	\$297	\$4,880	\$439	\$9,313	\$405,376
5,885	0	0	0	0	15,007
0	0	437	0	0	437
0	0	0	0	0	72,547
0	0	0	0	0	4,168
0	0	0	0	0	18,991
<u>\$75,379</u>	<u>\$297</u>	<u>\$5,317</u>	<u>\$439</u>	<u>\$9,313</u>	<u>\$516,526</u>
\$16,044	\$0	\$0	\$0	\$0	\$26,240
4,168	0	0	0	0	4,168
20,212	0	0	0	0	30,408
0	0	0	0	9,313	9,313
0	0	0	0	0	363,558
55,167	297	5,317	439	0	113,247
55,167	297	5,317	439	9,313	486,118
<u>\$75,379</u>	<u>\$297</u>	<u>\$5,317</u>	<u>\$439</u>	<u>\$9,313</u>	<u>\$516,526</u>

MILAN TOWNSHIP

*Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
Year Ended March 31, 2006*

Total Fund Balances - Governmental Funds **\$486,118**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental noncurrent assets	\$41,007	
Less accumulated depreciation	<u>(30,285)</u>	
		10,722

Investment in Milan Area Fire Department joint venture is not a financial resource and is not reported in the funds.	<u>148,656</u>
--	----------------

Total Net Assets - Governmental Activities **\$645,496**

See accompanying notes to the basic financial statements

MILAN TOWNSHIP

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006*

	General Fund	Road Improvement Fund	Bridge Construction Fund
Revenues			
Taxes	\$70,467	\$44,784	\$0
Licenses and permits	13,822	0	0
State grants	119,294	0	0
Contributions from local units	15,536	0	0
Charges for services	47,866	0	0
Interest	3,159	216	49
Other revenues	4,810	0	0
Total Revenues	<u>274,954</u>	<u>45,000</u>	<u>49</u>
Expenditures			
Legislative	10,329	0	0
General government	105,731	0	0
Public safety	0	0	0
Public works	79,739	47,092	69
Community and economic development	12,480	0	0
Other functions	20,873	0	0
Total Expenditures	<u>229,152</u>	<u>47,092</u>	<u>69</u>
Excess (Deficiency) of Revenues over Expenditures	45,802	(2,092)	(20)
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers (out)	(18,084)	0	0
Total Other Financing Sources (Uses)	<u>(18,084)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	27,718	(2,092)	(20)
Fund Balances - Beginning of Year	<u>335,840</u>	<u>46,810</u>	<u>7,329</u>
Fund Balances - End of Year	<u><u>\$363,558</u></u>	<u><u>\$44,718</u></u>	<u><u>\$7,309</u></u>

See accompanying notes to the basic financial statements

Special Revenue Funds

Fire and Rescue Fund	Liquor Law Fund	Street Lighting Fund	Building Fund	Capital Projects Fund	Total Governmental Funds
\$74,645	\$0	\$0	\$0	\$0	\$189,896
0	0	0	16,843	0	30,665
0	689	0	0	0	119,983
0	0	0	0	0	15,536
0	0	0	0	0	47,866
245	0	0	0	302	3,971
0	0	3,819	0	0	8,629
<u>74,890</u>	<u>689</u>	<u>3,819</u>	<u>16,843</u>	<u>302</u>	<u>416,546</u>
0	0	0	0	0	10,329
0	0	0	0	0	105,731
73,240	711	0	16,404	0	90,355
0	0	3,493	0	8,000	138,393
0	0	0	0	0	12,480
0	0	0	0	0	20,873
<u>73,240</u>	<u>711</u>	<u>3,493</u>	<u>16,404</u>	<u>8,000</u>	<u>378,161</u>
1,650	(22)	326	439	(7,698)	38,385
15,000	0	0	3,084	0	18,084
0	0	0	0	0	(18,084)
<u>15,000</u>	<u>0</u>	<u>0</u>	<u>3,084</u>	<u>0</u>	<u>(18,084)</u>
16,650	(22)	326	3,523	(7,698)	38,385
38,517	319	4,991	(3,084)	17,011	447,733
<u>\$55,167</u>	<u>\$297</u>	<u>\$5,317</u>	<u>\$439</u>	<u>\$9,313</u>	<u>\$486,118</u>

MILAN TOWNSHIP

*Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended March 31, 2006*

Net Change in Fund Balances - Total Governmental Funds **\$38,385**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$8,920	
Less current year depreciation	<u>(248)</u>	
		8,672

Change in Milan Area Fire Department joint venture
equity interest is not a financial resource and is not reported in
the governmental funds. 3,281

Change in Net Assets of Governmental Activities **\$50,338**

See accompanying notes to the basic financial statements

MILAN TOWNSHIP

Statement of Assets and Liabilities
Agency Funds
March 31, 2006

	Total Agency Funds
ASSETS	
Cash in bank	\$7,159
Total Assets	<u>\$7,159</u>
LIABILITIES	
Due to other governments	\$7,159
Total Liabilities	<u>\$7,159</u>

See accompanying notes to the basic financial statements

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 1 Description of the Township and Reporting Entity

The Township operates under a locally elected five member Board form of government. The Township provides the following services: public safety (fire protection), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, and general administrative services.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*", these financial statements present the Milan Township (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

The following entity is a joint venture which is not included with the governmental fund financial statements but is included as a governmental activity in the government-wide financial statements.

MILAN AREA FIRE DEPARTMENT

On July 1, 1980 an agreement was made by and between the City of Milan and the Townships of Milan, London and York to establish the Milan Area Fire Department. This agreement was amended effectively July 1, 1990 and remained in full force and effect until June 30, 2000 at which time the contract was extended until June 30, 2003. Effective January 1, 2003, this agreement was replaced with an agreement intended to remain in full force and effect to June 30, 2007. The department provides fire protection services and operates under the control of an executive committee consisting of the chief executive of each of the participating units with one additional member of the governing body from each unit. The cost of maintaining the fire department is paid for by the aforementioned parties on the basis of percentages which are calculated on the basis of State Equalized Value (60%), service area - in acres (5%), population as determined by latest decennial census (10%), miles of roads (5%), and dwelling units, commercial units, industries, schools, and churches (10%). The percentage is calculated annually. Milan Area Fire Department is audited annually as a separate local unit of government. Separate financial statements may be obtained from Milan Township.

The following is a summary of the amounts paid to the Milan Area Fire Department as reported on the financial audit dated June 30, 2005:

<u>Unit</u>	<u>Percentages</u>	<u>Payments</u>
City of Milan	43.83%	\$96,133
Milan Township	16.41%	35,992
London Township	18.13%	39,765
York Township	21.63%	47,442

The Milan Area Fire Department maintains separate capital accounts for each unit of government reflecting the percentage of ownership of the net assets of the fire department.

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 1 Description of the Township and Reporting Entity (Concluded)
As of June 30, 2005, the amounts reserved are as follows:

<u>Unit</u>	<u>Invested in Capital Assets</u>	<u>Restricted for Capital Improvements</u>
City of Milan	\$183,853	\$163,835
Milan Township	79,917	68,739
London Township	64,849	59,970
York Township	<u>110,978</u>	<u>94,601</u>
Total Assets of Fire Department	<u>\$439,597</u>	<u>\$387,145</u>

These capital account balances were used to present Milan Township's investment in this joint venture in the amount of \$148,656 as of March 31, 2006.

Note 2 Summary of Significant Accounting Policies

The financial statements of Milan Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, to its Governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, and agency funds, even though the latter are excluded from the government-wide financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements. The Township did not present any nonmajor governmental funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 2 Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental fund statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then use unrestricted resources as they are needed.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The basic financial statements include both government-wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized Fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the government-wide and fund financial statements categorize activities as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

MILAN TOWNSHIP

Notes to Financial Statements
Year Ended March 31, 2006

Note 2 Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Road Improvement Fund

The Road Improvement Fund is used to account for the Township's tax collections used for the maintenance and improvement of roads.

Bridge Construction Fund

The Bridge Construction Fund is used to account for the accumulation of resources used to replace or construct bridges in the Township.

Fire and Rescue Fund

The Fire and Rescue Fund accounts for revenue from the Township's tax collections to be used for fire protection and investment in the Milan Area Fire Department.

Liquor Law Fund

The Liquor Law Fund is used to account for revenue from returnable license fees used for the enforcement of liquor control commission codes.

Street Lighting Fund

The Street Lighting Fund is used to account for revenue from the Township's special assessments to be used for utility charges in the operation of the Township's streetlights.

Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

Capital Projects Fund

The Capital Projects Fund is used to account for the accumulation of resources to be used in the acquisition or construction of major capital facilities other than those financed by any of the previously mentioned funds. The only capital project fund maintained by the Township is the Township Hall Renovation Fund.

In accordance with GASB Statement 20 the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Additionally, the Township reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement results of operations.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

MILAN TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2006

Note 2 Summary of Significant Accounting Policies (Continued)

C. Use of Estimates (Concluded)

Actual results could differ from those estimates

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

Cash and cash equivalents include cash and money management accounts, cash with fiscal agent, petty cash and short-term investments with a maturity of three months or less when acquired.

Property Tax Receivable

Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent September 15 and winter taxes are considered delinquent February 14 of the following year.

Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$2,000 and an estimated useful life in excess of two years. These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Building and building improvements	30
Voting equipment	5

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net assets.

MILAN TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2006

Note 2 Summary of Significant Accounting Policies (Concluded) D. Assets, Liabilities, and Net Assets (Concluded)

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, long term debt, notes, and other obligations (if any) are reported as liabilities in the applicable governmental activities column in the statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Compensated Absences

The Township does not have a policy of providing employees with vacation or sick pay.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources (uses) in the governmental funds. Repayments from funds responsible for particular expenditures to the fund that initially paid for them are not presented on the financial statements.

Note 3 Stewardship, Compliance, and Accountability Budget Policy and Budgetary Accounting

The budgetary process is prescribed by the provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Township Board at the function level. Any budgetary modifications may only be made by resolution of the Township Board.

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the general fund and each major special revenue fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the general fund and special revenue funds in the Budgetary Comparison Schedules as Required Supplementary Information.

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 3 Stewardship, Compliance, and Accountability (Concluded)

Budget Policy and Budgetary Accounting (Concluded)

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Capital Projects Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the board of trustees a proposed operating budget for the fiscal year beginning April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 31 the budget is legally enacted through a board resolution.
4. Any revisions of the budget must be approved by a board resolution.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budgeted amounts are as originally adopted, or as amended by the Township Board. There were no individual amendments in relation to the original appropriation.
7. Lapsing of Appropriations - At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

In the required supplemental information, the Township's actual expenditures and budgeted expenditures for budgetary funds have been shown on an activities basis, which is the adopted level of control. For the year ended March 31, 2006, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Bridge construction fund	\$ -	\$ 69	\$ (69)
Fire and rescue fund	70,000	73,240	(3,240)
Liquor law	660	711	(51)

Note 4 Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds may not be deposited in financial institutions located in states other than Michigan.

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 4 Deposits (Concluded)

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Milan Township Board has adopted an investment policy and has authorized six depositories: Monroe Bank & Trust, United Bank & Trust, Republic Bank, Key Bank, Sky Bank, and Bank One.

Interest rate risk. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Township's investment policy.

Concentration of credit risk. The Township does have limits on the amount the Township may deposit in any one issuer. The Township adheres to the following three criteria in making investment decisions:

Safety: Safety of principal is the foremost objective of the Township's investment practices. The Township shall be diversified by avoiding over concentration in securities from a specific issuer or business sector (excluding U. S. Treasury securities and insured certificates of deposit).

Liquidity: The investment policy requires the investments to remain sufficiently liquid to meet all of the operating requirements that may be reasonably anticipated.

Return on Investment: Return on investment is of secondary importance compared to safety and liquidity criteria. Investments shall be selected to obtain a market average rate of return. The core of investments is limited to relatively low MSK securities.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$412,946 invested in certificates of deposits, checking accounts, savings accounts, and money markets. The Township's deposits are insured by the FDIC in the amount of \$210,437, with uninsured deposits of \$202,509. The Township's deposits are at institutions with an established record of fiscal health and service. The Township board approves and designates a list of authorized depository institutions. The Township's policy does not address deposit risk.

At year end deposits were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>
Cash	\$396,063	\$7,159
Certificates of deposit	<u>9,313</u>	<u>-</u>
	<u>\$405,376</u>	<u>\$7,159</u>

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

MILAN TOWNSHIP

Notes to Financial Statements Year Ended March 31, 2006

Note 5 Interfund Payables and Receivables

Such balances as of March 31, 2006 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Fire and Rescue Fund	\$4,168	\$ -
Fire and Rescue Fund		
General Fund	_____ -	<u>4,168</u>
	<u>\$4,168</u>	<u>\$4,168</u>

Note 6 Interfund Transfers

Interfund transfers for the year ended March 31, 2006, consisted of the following:

There was a transfer from the General Fund to the Building Fund during the year in the amount of \$3,084 to cover a prior year deficit balance.

There was a transfer from the General Fund to the Fire and Rescue Fund during the year in the amount of \$15,000 to cover past due payments due to the Milan Area Fire Department.

Note 7 Capital Assets

Capital asset activity for the fiscal year ended March 31, 2006 was as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Governmental Activities:				
Assets not being depreciated:				
Land	\$2,050	\$0	\$0	\$2,050
Capital assets being depreciated:				
Buildings	23,206	8,920	0	32,126
Voting equipment	<u>6,831</u>	<u>0</u>	<u>0</u>	<u>6,831</u>
Totals capital assets	32,087	8,920	0	41,007
Less accumulated depreciation:				
Buildings	(23,206)	(248)	0	(23,454)
Voting equipment	<u>(6,831)</u>	<u>0</u>	<u>0</u>	<u>(6,831)</u>
Total accumulated depreciation	<u>(30,037)</u>	<u>(248)</u>	<u>0</u>	<u>(30,285)</u>
Net capital assets	<u>\$2,050</u>	<u>\$8,672</u>	<u>\$0</u>	<u>\$10,722</u>

For the year ended March 31, 2006, depreciation expense of \$248 was charged to general government functions.

MILAN TOWNSHIP

Notes to Financial Statements *Year Ended March 31, 2006*

Note 8

Property Taxes

The Township bills and collects its own property tax and also taxes for the County of Monroe, Dundee Community Schools, Milan Area Schools, Monroe County Community College, Monroe Intermediate School District, Washtenaw Intermediate School District, Lenawee Intermediate School District, and Britton-Macon Area Schools.

The Township levied 0.8457 mills for general operating, 1.2500 mills for fire and rescue, and 0.7500 mills for road improvements for the 2005-2006 fiscal year on December 1, 2005 on assessed valuation as of December 31, 2004. The taxes are due and payable by February 14, 2006. Taxable values which amounted to \$59,529,012 represent a percentage of the fair market value of the assessed properties on December 31, 2004.

As of March 31, 2006, amounts for delinquent taxes are reflected as receivables in the following funds:

<u>Fund</u>	<u>Delinquent Taxes</u>
General Fund	\$5,592
Road Improvement Fund	3,530
Fire and Rescue Fund	5,885

Note 9

Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975. Milan Township has elected to make reimbursement payments rather than pay contributions as a contributing employer.

Note 10

Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions, and employee injuries.

Note 11

Related Party Transactions

As indicated in Note 1, the Township is involved in a joint venture. During the year, the Township incurred \$73,240, for fire protection, by the Milan Area Fire Department of which \$57,196 has been paid and \$16,044 remains payable to the Milan Area Fire Department. The Township plans on paying the remaining balance at a rate of \$4,200 per month in addition to future billings being paid in full.

Complete financial statements for the fire department can be obtained from Milan Township.

MILAN TOWNSHIP

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$49,114	\$49,114	\$50,687	\$1,573
Property tax administration fee	18,658	18,658	19,113	455
Penalties & interest on taxes	0	0	667	667
	<u>67,772</u>	<u>67,772</u>	<u>70,467</u>	<u>2,695</u>
Licenses and permits:				
Business licenses and permits	0	0	13,822	13,822
State grants:				
State revenue sharing	120,034	120,034	119,294	(740)
Contributions from local units:				
City of Milan	15,775	15,775	15,536	(239)
Charges for services	0	0	47,866	47,866
Fines and forfeits:				
Fines	0	0	1,846	1,846
Interest:				
Interest	0	0	3,159	3,159
Other revenue:				
Other revenue	<u>0</u>	<u>0</u>	<u>2,964</u>	<u>2,964</u>
Total Revenues	203,581	203,581	274,954	71,373
Expenditures				
Legislative:				
Township board	13,756	13,756	10,329	3,427
General government:				
Supervisor	11,615	11,615	8,514	3,101
Elections	0	500	0	500
Audit	10,000	10,000	42,276	(32,276)
Assessor	17,550	17,550	17,265	285
Legal services	75,000	75,000	2,779	72,221
Clerk	12,069	12,069	11,383	686
Board of review	1,800	1,800	1,176	624
Treasurer	13,641	13,641	12,762	879
Building and grounds	13,000	13,000	3,119	9,881
Cemetery	5,950	5,950	6,774	(824)
Watershed council	320	320	(317)	637
Total General Government	<u>160,945</u>	<u>161,445</u>	<u>105,731</u>	<u>55,077</u>

MILAN TOWNSHIP

*General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures (Concluded)				
Public Works:				
Road maintenance	\$99,313	\$99,313	\$77,739	\$21,574
Sanitation	2,500	2,500	2,000	500
Total Public Works	101,813	101,813	79,739	22,074
Community and Economic Development:				
Planning	23,750	33,250	12,359	20,891
Zoning	1,300	1,300	121	1,179
Total Community and Economic Development	25,050	34,550	12,480	22,070
Other Functions:				
Insurance and bonds	7,200	7,200	7,726	(526)
Payroll taxes	3,386	3,386	3,135	251
Penalties	0	0	10,012	(10,012)
Total Other Functions	10,586	10,586	20,873	(10,287)
Total Expenditures	312,150	322,150	229,152	70,291
Excess (Deficiency) of Revenues Over Expenditures	(108,569)	(118,569)	45,802	141,664
Other Financing Sources (Uses)				
Operating transfers out	0	(18,084)	(18,084)	0
Total Other Financing Sources (Uses)	0	(18,084)	(18,084)	0
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(108,569)	(136,653)	27,718	141,664
Fund Balances - Beginning of Year	335,840	335,840	335,840	0
Fund Balances - End of Year	\$227,271	\$199,187	\$363,558	\$141,664

MILAN TOWNSHIP

General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Legislative				
Township Board:				
Salaries	\$4,906	\$4,906	\$5,271	(\$365)
Meeting expenses	1,600	1,600	1,295	305
Contract services	1,000	1,000	0	1,000
Tax statement preparation	1,000	1,000	459	541
Dues and memberships	2,000	2,000	2,077	(77)
Mileage	200	200	567	(367)
Printing and publication	1,000	1,000	600	400
Miscellaneous	1,000	1,000	0	1,000
Education	550	550	0	550
Capital outlay	500	500	60	440
	<u>13,756</u>	<u>13,756</u>	<u>10,329</u>	<u>3,427</u>
General Government				
Supervisor:				
Salaries	10,815	10,815	8,414	2,401
Dues	50	50	100	(50)
Mileage	500	500	0	500
Education	250	250	0	250
	<u>11,615</u>	<u>11,615</u>	<u>8,514</u>	<u>3,101</u>
Elections:				
Office supplies	0	100	0	100
Software	0	400	0	400
	<u>0</u>	<u>500</u>	<u>0</u>	<u>500</u>
Independent Audit:				
Auditing fees	10,000	10,000	42,276	(32,276)
Assessor:				
Contracted services	16,050	16,050	16,050	0
Office supplies	1,000	1,000	795	205
Software	500	500	420	80
	<u>17,550</u>	<u>17,550</u>	<u>17,265</u>	<u>285</u>
Attorney:				
Legal fees	75,000	75,000	2,779	72,221
Clerk:				
Salaries	9,949	9,949	10,259	(310)
Office supplies	800	800	633	167
Dues	70	70	55	15
Education	250	250	0	250
Capital outlay	1,000	1,000	436	564
	<u>12,069</u>	<u>12,069</u>	<u>11,383</u>	<u>686</u>
Board of Review:				
Wages	1,000	1,000	844	156
Printing and publications	500	500	332	168
Miscellaneous	300	300	0	300
	<u>1,800</u>	<u>1,800</u>	<u>1,176</u>	<u>624</u>

MILAN TOWNSHIP

General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Treasurer:				
Salaries	\$8,981	\$8,981	\$9,911	(\$930)
Per diem fees	800	800	0	800
Office supplies	1,500	1,500	1,277	223
Dues	50	50	35	15
Mileage	60	60	0	60
Miscellaneous	0	0	(1,077)	1,077
Education	350	350	0	350
Equipment	1,500	1,500	1,246	254
Software	400	400	1,370	(970)
	13,641	13,641	12,762	879
Building and Grounds:				
Repair and maintenance	10,000	10,000	62	9,938
Contracted services	400	400	0	400
Telephone	700	700	547	153
Utilities - electric	400	400	275	125
Utilities - heat	900	900	1,366	(466)
Water	200	200	0	200
Miscellaneous	0	0	32	(32)
Equipment	400	400	837	(437)
	13,000	13,000	3,119	9,881
Cemeteries:				
Snow plowing	150	150	0	150
Contract services	5,800	5,800	6,774	(974)
	5,950	5,950	6,774	(824)
Watershed council	320	320	(317)	637
Total General Government	160,945	161,445	105,731	55,714
Public Works				
Road Maintenance:				
Contract services	99,313	99,313	77,739	21,574
Sanitation:				
Trash pick-up	2,500	2,500	2,000	500
Total Public Works	101,813	101,813	79,739	22,074

MILAN TOWNSHIP

General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Community and Economic Development				
Planning:				
Salaries per diem	\$7,000	\$7,000	\$3,759	\$3,241
Office supplies	250	250	32	218
Contract services	14,500	19,000	(3,013)	22,013
Consulting engineering fees	0	5,000	11,461	(6,461)
Printing and publications	1,000	1,000	120	880
Education	1,000	1,000	0	1,000
	<u>23,750</u>	<u>33,250</u>	<u>12,359</u>	<u>20,891</u>
Zoning Inspector:				
Wages	750	750	121	629
Printing and publications	500	500	0	500
Office supplies	50	50	0	50
	<u>1,300</u>	<u>1,300</u>	<u>121</u>	<u>1,179</u>
Total Community and Economic Development	25,050	34,550	12,480	22,070
Other Functions				
Insurance and Bonds:				
Insurance	7,200	7,200	7,726	(526)
Payroll Taxes:				
FICA tax	2,677	2,677	2,541	136
Medicare tax	709	709	594	115
	<u>3,386</u>	<u>3,386</u>	<u>3,135</u>	<u>251</u>
Penalties:				
Prior year payroll taxes and penalties	0	0	10,012	(10,012)
Total Other Functions	<u>10,586</u>	<u>10,586</u>	<u>20,873</u>	<u>(10,287)</u>
Total Expenditures	<u>\$312,150</u>	<u>\$322,150</u>	<u>\$229,152</u>	<u>\$92,998</u>

MILAN TOWNSHIP

Road Improvement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property taxes	\$39,722	\$39,722	\$44,784	\$5,062
Interest	0	0	216	216
Total Revenues	39,722	39,722	45,000	5,278
Expenditures				
Public Works:				
Construction	47,093	47,093	47,092	1
Total Expenditures	47,093	47,093	47,092	1
Excess (Deficiency) of Revenues Over Expenditures	(7,371)	(7,371)	(2,092)	5,279
Fund Balance - Beginning of Year	46,810	46,810	46,810	0
Fund Balance - End of Year	\$39,439	\$39,439	\$44,718	\$5,279

MILAN TOWNSHIP

Bridge Construction Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$0	\$0	\$49	\$49
Total Revenues	0	0	49	49
Expenditures				
Public Works: Construction	0	0	69	(69)
Total Expenditures	0	0	69	(69)
Excess of Revenues Over Expenditures	0	0	(20)	(20)
Fund Balance - Beginning of Year	7,339	7,339	7,329	(10)
Fund Balance - End of Year	<u>\$7,339</u>	<u>\$7,339</u>	<u>\$7,309</u>	<u>(\$30)</u>

MILAN TOWNSHIP

Fire and Rescue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property taxes	\$66,219	\$66,219	\$74,645	\$8,426
Interest	0	0	245	245
Total Revenues	66,219	66,219	74,890	8,671
Expenditures				
Public Safety:				
Fire protection	70,000	70,000	73,240	(3,240)
Total Expenditures	70,000	70,000	73,240	(3,240)
Excess of Revenues Over Expenditures	(3,781)	(3,781)	1,650	5,431
Other Financing Sources (Uses)				
Transfers in	0	15,000	15,000	0
Total Other Financing Sources (Uses)	0	15,000	15,000	0
Excess of Revenues Over Expenditures and Other Uses	(3,781)	11,219	16,650	5,431
Fund Balance - Beginning of Year	38,517	38,517	38,517	0
Fund Balance - End of Year	\$34,736	\$49,736	\$55,167	\$5,431

MILAN TOWNSHIP

Liquor Law Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
State Grants:				
License fees	\$689	\$689	\$689	\$0
Total Revenues	689	689	689	0
Expenditures				
Public Safety:				
Inspection fees	660	660	711	(51)
Total Expenditures	660	660	711	(51)
Excess (Deficiency) of Revenues Over Expenditures	29	29	(22)	(51)
Fund Balance - Beginning of Year	333	333	319	(14)
Fund Balance - End of Year	<u>\$362</u>	<u>\$362</u>	<u>\$297</u>	<u>(\$65)</u>

MILAN TOWNSHIP

Street Lighting Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Special assessments	\$3,707	\$3,707	\$3,819	\$112
Total Revenues	3,707	3,707	3,819	112
Expenditures				
Public works:				
Streetlight expenses	4,100	4,100	3,493	607
Total Expenditures	4,100	4,100	3,493	607
Excess (Deficiency) of Revenues Over Expenditures	(393)	(393)	326	719
Fund Balance - Beginning of Year	4,991	4,991	4,991	0
Fund Balance - End of Year	<u>\$4,598</u>	<u>\$4,598</u>	<u>\$5,317</u>	<u>\$719</u>

MILAN TOWNSHIP

Building Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended March 31, 2006

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues				
Licenses and Permits:				
Building permit fees	\$16,000	\$16,000	\$16,843	\$843
Total Revenues	16,000	16,000	16,843	843
Expenditures				
Building Inspector:				
Wages	5,200	5,200	5,170	30
Payroll taxes	398	398	396	2
	5,598	5,598	5,566	32
Plumbing inspector:				
Wages	1,500	1,500	1,302	198
Payroll taxes	115	115	100	15
	1,615	1,615	1,402	213
Electrical inspector:				
Wages	2,000	2,000	1,260	740
Payroll taxes	153	153	96	57
	2,153	2,153	1,356	797
Mechanical inspector:				
Wages	1,500	1,500	1,092	408
Payroll taxes	115	115	84	31
	1,615	1,615	1,176	439
Building Clerk:				
Salaries	4,100	4,100	4,548	(448)
Payroll taxes	314	314	376	(62)
Education	400	400	0	400
Office expense	100	100	532	(432)
Overhead charges	1,200	1,200	1,448	(248)
	6,114	6,114	6,904	(790)
Total Expenditures	17,095	17,095	16,404	691
Excess (Deficiency) of				
Revenues Over Expenditures	(1,095)	(1,095)	439	1,534
Other Financing Sources (Uses)				
Transfers in	0	3,084	3,084	0
Total Other Financing Sources (Uses)	0	3,084	3,084	0
Excess of Revenues Over				
Expenditures and Other Uses	(1,095)	1,989	3,523	1,534
Fund Balance (Deficit) - Beginning of Year	(3,084)	(3,084)	(3,084)	0
Fund Balance (Deficit) - End of Year	(\$4,179)	(\$1,095)	\$439	\$1,534

MILAN TOWNSHIP

Agency Funds
Combining Statement of Changes in Assets and Liabilities
March 31, 2006

CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash in bank	\$1,231	\$1,837,355	\$1,831,427	\$7,159
Total Assets	<u>\$1,231</u>	<u>\$1,837,355</u>	<u>\$1,831,427</u>	<u>\$7,159</u>
Liabilities				
Due to other governments	\$1,231	\$1,837,355	\$1,831,427	\$7,159
Total Liabilities	<u>\$1,231</u>	<u>\$1,837,355</u>	<u>\$1,831,427</u>	<u>\$7,159</u>

TRUST AND AGENCY FUND

Assets				
Cash in bank	\$0	\$5,954	\$5,954	\$0
Total Assets	<u>\$0</u>	<u>\$5,954</u>	<u>\$5,954</u>	<u>\$0</u>
Liabilities				
Due to other governments	\$0	\$5,954	\$5,954	\$0
Total Liabilities	<u>\$0</u>	<u>\$5,954</u>	<u>\$5,954</u>	<u>\$0</u>

TOTAL AGENCY FUNDS

Assets				
Cash in bank	\$1,231	\$1,843,309	\$1,837,381	\$7,159
Total Assets	<u>\$1,231</u>	<u>\$1,843,309</u>	<u>\$1,837,381</u>	<u>\$7,159</u>
Liabilities				
Due to other governments	\$1,231	\$1,843,309	\$1,837,381	\$7,159
Total Liabilities	<u>\$1,231</u>	<u>\$1,843,309</u>	<u>\$1,837,381</u>	<u>\$7,159</u>



COOLEY HEHL
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Township Board
Milan Township
16444 Cone Road
Milan, Michigan 48160

Report of Comments and Recommendations

Board Members:

Our audit of the financial statements of Milan Township for the year ended March 31, 2006, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. During the course of our audit, we noted certain practices and procedures which we believe could be added or changed to improve existing internal controls, accounting procedures and records, and other matters.

We remind you that the following comments, and where appropriate, recommendations are somewhat limited because they are not the result of a detailed systems analysis.

Improper and Illegal Actions

Nothing came to our attention during the course of the audit to indicate any improper or illegal actions.

Interfund Receivable and Payable Balances

Balances as of March 31, 2006 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Fire and Rescue Fund	\$4,168	
Fire and Rescue Fund:		
General Fund	—	\$4,168
	<u>\$4,168</u>	<u>\$4,168</u>

Uniform Chart of Accounts

In 1984 the State of Michigan Department of Treasury issued the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. The adoption of the Uniform Chart of Accounts is mandatory.

As of March 31, 2006, the Township has not adopted the Uniform Chart of Accounts and has not maintained a separate general ledger for all of its funds.

The Township started implementation of the Uniform Chart of Accounts for the fiscal year beginning April 1, 2006.

The Township's adopted Uniform Chart of Accounts will be for the following funds:

- Fund 101 General Fund
- Fund 204 Road Improvement Fund
- Fund 206 Fire Fund
- Fund 212 Liquor Law Enforcement Fund
- Fund 219 Street Lighting Fund
- Fund 249 Building Inspection Department Fund
- Fund 245 Bridge Improvement Fund
- Fund 401 Capital Projects Fund
- Fund 701 Agency Fund
- Fund 703 Current Tax Collection Fund

Proper use of the Uniform Chart of Accounts will result in providing a general ledger for each of the Township's funds.

Annual Budgets

The budgeting requirements for local units of governments in Michigan are contained in Public Act 2 of 1968, as amended, through Public Act 493 of 2000 (MCL 141.421, et al).

During the audit we noted several deficiencies in the Township's budgeting process. Following are deficiencies that we noted and our recommendations for compliance with the Budget Act.

- 1) The Budget Act states that legislative body of each local unit must pass a general appropriations act (budget) for the general fund and each special revenue fund.

The Township adopted a budget for the Township as a whole, as if there is only one fund.

We recommend that the Township adopt separate budgets of revenues and expenditures for the general fund and each special revenue fund.

- 2) The Budget Act states that each budget must include the following items:

- Estimated revenues for the next fiscal year
- Estimated expenditures for the next fiscal year
- Estimated beginning fund balance for the next fiscal year
- Estimated ending fund balance for the next fiscal year

Annual Budgets (Concluded)

2) Concluded

We recommend that the Township include the estimated beginning and ending fund balances in its budget and that the Township also review the Budget Act to insure compliance with its provisions.

- 3) The Budget Act requires that the budget must be amended as soon as it is apparent that expenditures will exceed appropriations. The amendment must occur before expenditures exceed the budget at the activity level.

The Township did not amend the budget as needed during the year, although there were three instances of expenditures exceeding appropriations, as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Bridge construction fund	\$ -	\$ 69	\$ (69)
Fire and rescue fund	70,000	73,240	(3,240)
Liquor law	660	711	(51)

We recommend that the Township institute a policy of amending the budget before expenditures exceed budget.

Financial Reports

The Michigan Department of Treasury requires that several financial reports be provided to the Township board on a monthly basis by the treasurer and the clerk.

The following financial reports are not being provided to the board:

Balance sheet by fund
Detail revenue by fund - budget to actual
Detail expenditures by fund - budget to actual

We recommend that the above mentioned financial reports be provided to the board on a monthly basis. It is almost impossible to properly manage the Township's finances without these reports.

New Accounting Software

It is our understanding that the Township has new software from BS & A. However, for the year ended March 31, 2006, the new Township clerk has not yet implemented this software due to time constraints and the availability of training. This financial accounting and reporting software is specially designed for local governmental units. Its chart of accounts can be easily changed for compliance with the State's Uniform Chart of Accounts. In addition, once fully implemented, the Township board could start receiving complete sets of financial statements, budget and actual, each month.

The Township clerk is in the process of implementing the BS & A software.

Bank Accounts

The Treasurer maintains a pooled bank account at Chase for the General Fund, the Road Improvement Fund, and the Fire and Rescue Fund. Having several funds sharing the same bank account makes record keeping tedious and subject to errors.

We recommend that the Township maintain separate bank accounts for the Road Improvement Fund and the Fire and Rescue Fund.

Individual Fund Expenditures

Currently the Road Improvement Fund and the Fire and Rescue Fund are reimbursing the General Fund from their bank accounts for expenditures that belong to those funds. This creates more work for the Township than is really necessary and requires the Township to make sure that the General Fund is reimbursed for the corresponding funds expenses.

We recommend that expenditures for the Road Improvement Fund and the Fire and Rescue Fund be paid directly out of the Road Improvement Fund and Fire and Rescue Fund bank accounts. This will eliminate the need to reimburse the General Fund for expenditures paid directly out of the General Fund's bank account.

Bank Reconciliations

During our audit we noted that some of the reconciled bank statements kept by the treasurer did not match the QuickBooks reports due to various reconciling items.

We recommend that monthly bank reconciliations should be prepared by the clerk and reconciled to the bank balances per General Ledger (QuickBooks reports) and the treasurer's check registers.

Receipts

For the period of the audit, we noticed the following weakness in the Township's internal control over cash receipts:

- ▶ The Township does not provide the method of payment of account classification on its receipts.
- ▶ Not all checks received are restrictively endorsed immediately upon receipt.
- ▶ The Township Treasurer is the only person receiving, recording, and reconciling all monies received by the Township.

We recommend the following:

- ▶ Official receipts should be issued for all cash receipts.
- ▶ Numerically controlled three-part official receipts with the name of Milan Township printed on them should be used.
- ▶ "Cash" or "check" as method of payment should be indicated on the receipt.
- ▶ The receipt should identify the individual receiving payment.
- ▶ The receipt should have the revenue account classification on it.
- ▶ Checks should be restrictively endorsed.
- ▶ A monthly procedure for reconciling the month's collections should be performed by an individual not involved in the receipting process. These procedures should include comparing receipts written for the month with the receipts register and with the bank deposits that appeared on the bank statements for the month.

Worker's Compensation

We were unable to verify the Township's coverage for risks of liability related to claims for worker's compensation for the year ended March 31, 2006.

The Township has subsequently reviewed its liability coverage related to worker's compensation with its insurance agent and has obtained worker's compensation insurance coverage.

Transfers

We recommend that all transfers, including budgeted transfers, be approved in the minutes. For example, transfers from the General Fund to the Fire and Rescue Fund to prevent a deficit balance in the Fire and Rescue Fund.

Township Minute Book

The Township Clerk maintains the Township's minute book to record minutes of the Township Board meetings.

We recommend that the minutes and the minute book be expanded to include the following:

- ▶ Approval of the budget
- ▶ Approval of budget amendments
- ▶ Approval of millage rates
- ▶ Annual approval of banks to be used
- ▶ Annual approval of bank account authorized signers
- ▶ Annual approval of pay rates
- ▶ Approval of transfers between funds
- ▶ Approval of opening and closing bank accounts
- ▶ Inclusion of the approved budget
- ▶ Inclusion of the list of invoices approved for payment
- ▶ Inclusion of approved contracts
- ▶ Inclusion of important correspondence
- ▶ Inclusion of Board resolutions

The minute book is the primary source of official Township information.

Accounting Policies and Procedures Manual

Because of the nature of the Township's finances and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define the procedures and documentation required for various financial transactions such as:

- ▶ Cash receipts
- ▶ Cash disbursements
- ▶ Special assessments
- ▶ Bank account reconciliations
- ▶ Payroll
- ▶ Building permits

In addition to strengthening internal controls, such a manual would provide for continuity as new staff is hired and new board members are elected.

Township Board
Milan Township

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We recommend that you obtain copies of the following manuals, issued by the Michigan Department of Treasury, that you can use for reference.

- ▶ Uniform Accounting Procedures Manual
- ▶ Uniform Chart of Accounts for Counties and Local Units of Government
- ▶ Uniform Budget Manual

It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer any questions concerning this letter or the 2005-2006 audit report.

Very truly yours,

Cooley Hill
Wohlgenuth & Carlton

August 18, 2006